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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 001497

SIPDIS

NEA FOR FRONT OFFICE, SEMEP, AND NEA/IPA, EEB FOR
CIP/BA; NSC FOR SHAPIRO/KUMAR; STATE PASS TO OPIC FOR
DRUMHELLER/SASSER; JOINT STAFF FOR SELVA

E.O. 12958: DECL: 08/25/2019
TAGS: [ECON](#) [EINV](#) [PGOV](#) [KWBG](#) [KPAL](#) [IS](#)
SUBJECT: WATANIYA BOARD SETS SEPT 15 DEADLINE FOR SPECTRUM
ALLOCATION

REF: A. JERUSALEM 1323
[B](#). JERUSALEM 618

Classified By: DPO Greg Marchese for reasons 1.4 (b) and (d)

[1](#)1. (SBU) Summary: Wataniya Mobile announced on August 23 it will suspend operations, seek repayment of USD 140 million in licensing fees, and pursue damages from the PA if the PA cannot secure GOI release by September 15 of the 4.8 MHz needed for the mobile phone network launch. Wataniya Palestine CEO Allan Richardson urged high-level PA engagement on the issue, and the Telecom Ministry requested an immediate meeting of the Joint Technical Committee (JTC) to discuss the issue directly with the GOI. The economic implications of a Wataniya failure are severe: a loss of investor confidence in the West Bank, hundreds of millions in lost revenue for both the company and the PA, and a squandered opportunity to create thousands of jobs in the West Bank (ref A). End Summary.

Wataniya Sets a Deadline

[1](#)2. (SBU) Following its August 20 Board meeting, Wataniya informed the PA Ministry of Telecom in an August 23 letter that it would seek the return of its USD 140 million licensing fee, plus damages, if a September 15 spectrum allocation deadline was not met. Richardson characterized the August 20 meeting as "very difficult," and said that the Board had been ready to abandon the project after three years of delays, but Palestine Investment Fund (PIF) CEO Mohammad Mustafa argued persuasively for one more month to try to reach a resolution. Richardson called the new deadline "a stay of execution," and said he doubted the Board would extend it beyond September 15.

[1](#)3. (SBU) Estimates of PA liability for potential damages are wide-ranging, but could include over USD 100 million in operating expenses over the last three years and USD 270 million in infrastructure costs. The IFC may also seek repayment of the USD 44 million already disbursed as part of a USD 85 million loan to Wataniya. In statements to the press, PA Minister of Telecom Abu Dakka said that the PA would ask the international community to press the GOI to cover financial costs resulting from a Wataniya pull-out.

PA Requests JTC Meeting

[1](#)4. (C) On August 24, Deputy Telecom Minister Zuhairi sent a letter to his Israeli counterpart, pressing for an immediate

meeting of the JTC (pending for over a year) to discuss the spectrum allocation. The letter emphasized that the PA considered the 3.8 MHz offered by the GOI insufficient for a successful commercial launch. (Note: The letter appears to refute the claim of some GOI interlocutors that a PA official had accepted the GOI offer of less than 4.8 MHz.)

15. (C) Cabinet Secretary and Advisor to the Prime Minister Hasan Abu-Libdeh emphasized the importance of Wataniya's launch, but said he would not recommend that PM Fayyad call Israeli PM Netanyahu, noting that Fayyad had already weighed in with the GOI in May, to no avail (ref B). The Director General of the PA Ministry of Finance, Mazen Jadallah, stressed to Econoff August 20 that, if Wataniya walked away, "it would demonstrate to the world that it is not safe to invest in Palestine." He expressed concern that failure to launch would send a signal that neither the PA nor donors could positively influence the investment environment when up against the GOI.

Financial Implications of Wataniya Failure

16. (SBU) In addition to the immediate costs of a Wataniya failure, Abu-Libdeh and other PA contacts noted that the most serious implications include the loss of investor confidence in the West Bank business environment, loss of a consistent stream of revenue for the PA, difficulties in securing funding for future West Bank projects, a continued monopoly and lack of competitiveness in the mobile telecom sector, and a missed opportunity to lighten the PA's dependence on

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donors.

17. (SBU) If Wataniya launches, PIF contacts estimate it could create approximately 2,500 jobs, USD 50 million per year in tax revenues to PA coffers, and upwards of USD 150 million in construction contracts.

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